

Mr. David Culpepper, Senior Reimbursement Analyst  
Paragon Health Network, Inc.  
One Ravinia Drive, Suite 1500  
Atlanta, Georgia 30346

Re: AC# 3-OKB-J5 – Grancare South Carolina, Inc. d/b/a Oakbrook Healthcare Center

Dear Mr. Culpepper:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA  
State Auditor

EAVjr/trb

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll

**GRANCARE SOUTH CAROLINA, INC.  
D/B/A OAKBROOK HEALTHCARE CENTER**

**SUMMERVILLE, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1996  
AC# 3-OKB-J5**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 27, 1998

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Grancare South Carolina, Inc. d/b/a Oakbrook Healthcare Center, for the contract periods beginning October 1, 1996 and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Grancare South Carolina, Inc. d/b/a Oakbrook Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Grancare South Carolina, Inc. d/b/a Oakbrook Healthcare Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
February 27, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA  
State Auditor

**OAKBROOK HEALTHCARE CENTER**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1996  
AC# 3-OKB-J5

	10/01/96- <u>09/30/97</u>
Interim reimbursement rate (1)	\$77.48
Adjusted reimbursement rate	<u>76.21</u>
Decrease in reimbursement rate	\$ <u><u>1.27</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 1997

### OAKBROOK HEALTHCARE CENTER

Computation of Adjusted Reimbursement Rate  
For the Contract Periods October 1, 1996 Through September 30, 1997  
AC# 3-OKB-J5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.00	\$31.76	\$42.83	\$31.76
Dietary	<u>.66</u>	<u>7.92</u>	<u>9.46</u>	<u>7.92</u>
Subtotal	<u>\$3.66</u>	39.68	52.29	39.68
Laundry/Housekeeping/Maint.	\$ .30	7.02	7.32	7.02
Administration & Med. Rec.	<u>-</u>	<u>10.30</u>	<u>8.60</u>	<u>8.60</u>
Subtotal	<u>\$ .30</u>	57.00	<u>\$68.21</u>	55.30
<u>Costs Not Subject to Standards:</u>				
Utilities		2.13		2.13
Special Services		.27		.27
Medical Supplies & Oxy.		3.21		3.21
Taxes and Insurance		1.92		1.92
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$64.53</u>		62.83
Inflation Factor (4.90%)				3.08
Cost of Capital				8.30
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.30
Cost Incentive - For Gen. Serv. & Dietary				3.66
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(2.21)
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$76.21</u>

**OAKBROOK HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1995  
AC# 3-OKB-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$ 989,199	\$ 9,736(7) 615(7)	\$ 3,403(4) 6,299(8) 398(8)	\$ 989,450
Dietary	255,277	1,193(7)	8,978(6) 772(8)	246,720
Laundry	51,922	377(7)	244(8)	52,055
Housekeeping	94,911	778(7)	503(8)	95,186
Maintenance	69,981	326(7) 1,276(9)	211(8)	71,372
Administration & Medical Records	333,479	1,088(7) 497(7)	36(6) 2,932(6) 704(8) 322(8) 10,287(9)	320,783
Utilities	61,338	5,075(9)	-	66,413
Special Services	8,382	-	-	8,382
Medical Supplies & Oxygen	107,241	-	7,229(6)	100,012
Taxes & Insurance	53,345	9,856(9)	3,461(5)	59,740
Legal Fees	-	-	-	-



**OAKBROOK HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1995  
AC# 3-OKB-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Cost of Capital	296,308	12,676(3) <u>1,507(10)</u>	2,537(1) <u>49,357(2)</u>	258,597
Subtotal	2,321,383	45,000	97,673	2,268,710
Ancillary	44,557	-	-	44,557
Non-Allowable	353,109	2,537(1) 49,357(2) 3,403(4) 19,175(6) <u>9,453(8)</u>	12,676(3) 5,920(9) 1,507(10)	416,931
Total Operating Expenses	<u>\$2,719,049</u>	<u>\$128,925</u>	<u>\$117,776</u>	<u>\$2,730,198</u>
TOTAL PATIENT DAYS*	<u>31,156</u>	<u>-</u>	<u>-</u>	<u>31,156</u>

\*Adjusted to 97% occupancy

Total Beds 88

**OAKBROOK HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1995  
AC# 3-OKB-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 7,682	
	Other Equity	17,073	
	Nonallowable	2,537	
	Fixed Assets		\$ 24,755
	Cost of Capital		2,537
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	49,357	
	Cost of Capital		49,357
	To remove cost applicable to early debt extinguishment HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	12,676	
	Nonallowable		12,676
	To adjust loan cost amortization to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	3,403	
	Nursing		3,403
	To reclassify physician fees to the proper cost center DH&HS Expense Crosswalk		
5	Accrued Property Taxes	2,261	
	Retained Earnings	1,200	
	Taxes and Insurance		3,461
	To adjust property taxes and related accrual to allowable HIM-15-1, Sections 2302.1 and 2304		

**OAKBROOK HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1995  
AC# 3-OKB-J5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	19,175	
	Dietary		8,978
	Administration		36
	Medical Records		2,932
	Medical Supplies		7,229
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
7	Nursing	9,736	
	Restorative	615	
	Dietary	1,193	
	Laundry	377	
	Housekeeping	778	
	Maintenance	326	
	Administration	1,088	
	Medical Records	497	
	Accrued PTO		14,610
	To adjust PTO accrual to allowable HIM-15-1, Sections 2302.1 and 2304		
8	Nonallowable	9,453	
	Nursing		6,299
	Restorative		398
	Dietary		772
	Laundry		244
	Housekeeping		503
	Maintenance		211
	Administration		704
	Medical Records		322
	To adjust workers' compensation expense to allowable HIM-15-1, Section 2304		

**OAKBROOK HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1995  
AC# 3-OKB-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Maintenance	1,276	
	Utilities	5,075	
	Taxes and Insurance	9,856	
	Administration		10,287
	Nonallowable		5,920
	To adjust home office cost allocation to allowable HIM-15-1, Sections 2304 and 2150		
10	Cost of Capital	1,507	
	Nonallowable		1,507
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$157,141</u>	<u>\$157,141</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**OAKBROOK HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1995  
AC# 3-OKB-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>88</u>
Deemed Asset Value	2,813,624
Improvements Since 1981	137,569
Accumulated Depreciation at 9/30/95	<u>(690,209)</u>
Deemed Depreciated Value	2,260,984
Market Rate of Return	<u>.070</u>
Total Annual Return	158,269
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	158,269
Depreciation Expense	87,652
Amortization Expense	12,676
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	258,597
Total Patient Days (Minimum 97% Occupancy)	<u>31,156</u>
Cost of Capital Per Diem	\$ <u><u>8.30</u></u>

**OAKBROOK HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1995  
AC# 3-OKB-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>
Reimbursable Cost of Capital Per Diem	\$ 8.30
Cost of Capital Per Diem	<u>8.30</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>